



David Nicklaus

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Fitch downgrades St. Louis' credit to A-minus

By David Nicklaus St. Louis Post-Dispatch Jun 2, 2016



Fitch Ratings says a combination of "negative credit trends" and "persistently narrow reserves" have led it to downgrade St. Louis' credit rating by three notches.

The downgrade, to A-minus from AA-minus, also reflects revised ratings criteria that Fitch adopted in April.

In a press release, Fitch says the city doesn't have much financial flexibility if the U.S. economy were to fall into recession. St. Louis could reduce staff and defer capital spending, the statement says, but in a downturn, "these measures would likely be insufficient to prevent general fund balances from entering negative territory in the short term."

Fitch notes that the city has strong health-care and education institutions, but that their tax-exempt status results in "a slow-growth tax revenue profile."

St. Louis Comptroller **Darlene Green** issued a statement noting that uncertainty over the city's earnings tax, which must be reauthorized by voters every five years, played a role in the downgrade. "The city proved its financial resilience during the most recent economic downturn," Green said, "but the city would be smart to strengthen its financial resiliency for the future by increasing reserves and seeking legislation to remove the earnings tax reauthorization mandate."

In addition to downgrading St. Louis' issuer rating, Fitch lowered its rating on three specific revenue bond issues to BBB-plus from A-plus. The bonds were issued in 2007 and 2008 to fund pensions and the city's juvenile detention center.

(UPDATED at 2:15 p.m. to include statement from Darlene Green.)

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David Nicklaus is a business columnist for the St. Louis Post-Dispatch.